



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

SAGINAW PREPARATORY ACADEMY

Saginaw, Michigan

Financial Statements

June 30, 2008



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Gardner | Provenzano Schauman & Thomas

INDEPENDENT AUDITOR'S REPORT

Frederick C. Gardner
Ciccario Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

October 17, 2008

To the Board of Directors
Saginaw Preparatory Academy
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities of Saginaw Preparatory Academy, as of and for the year ended June 30, 2008, which comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Saginaw Preparatory Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Saginaw Preparatory Academy as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Saginaw Preparatory Academy
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In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2008, on our consideration of Saginaw Preparatory Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

**SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

This section of the Saginaw Preparatory Academy annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Saginaw Preparatory Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the general fund, food service fund, athletic fund and debt service fund.

*Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)*

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net assets - the difference between assets and liabilities,

**SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Reporting the Academy as a Whole - Academy-wide Financial Statements
(continued)**

as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the food service and athletics funds are examples) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Academy as a Whole

Recall that the statement of net assets provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net assets as of June 30, 2008 and June 30, 2007.

Table 1

Assets	2008	2007
Current and other assets	\$ 1,054,296	\$ 799,277
Capital assets -		
Net of accumulated depreciation	2,721,582	2,791,453
Total Assets	<u>3,775,878</u>	<u>3,590,730</u>
Liabilities		
Current liabilities	481,791	365,223
Noncurrent liabilities	3,480,000	3,565,000
Total Liabilities	<u>3,961,791</u>	<u>3,930,223</u>
Net assets		
Invested in capital assets -		
Net of related debt	(843,418)	(853,547)
Restricted for Debt Service	364,790	357,166
Unrestricted	292,715	156,888
Total Net Assets	<u>\$ (185,913)</u>	<u>\$ (339,493)</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net assets were (\$185,913) at June 30, 2008. Capital assets, net of related debt totaling (\$843,418), compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from general fund revenue as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net assets for day-to-day operations. The Academy has assets restricted for debt service of \$364,790. The remaining amount of net assets, \$292,715, was unrestricted.

The \$292,715 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

**SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Academy as a Whole (continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

Table 2

Revenue		
Program revenue	2008	2007
Charges for services	\$ 705	\$ 728
Grants	765,405	514,649
General revenue		
State foundation allowance	1,576,552	1,341,042
Other	21,198	31,756
Total Revenue	<u>2,363,860</u>	<u>1,888,175</u>
Function/Program expenses		
Instruction	864,004	610,259
Support services	865,756	776,861
Community services	13,620	4,103
Food services	135,640	114,629
Athletics	691	1,310
Other	-	5,355
Interest on long-term debt	247,210	272,669
Depreciation (unallocated)	83,359	92,348
Total Expenses	<u>2,210,280</u>	<u>1,877,534</u>
Increase (decrease) in Net Assets	<u>\$ 153,580</u>	<u>\$ 10,641</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$2,210,280. Certain activities were partially funded from those who benefited from the programs \$705 or by other governments and organizations that subsidized certain programs with grants and contributions \$765,405. We paid for the remaining "public benefit" portion of our governmental activities with \$1,576,552 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The Academy experienced an increase in net assets of \$153,580. The key reason for the change in net assets was an increase in pupil count and controlling expenses in relation to revenue received.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

**SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide additional insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$677,739, which is an increase of \$143,051 from last year. The primary reason for the increase was, again, the ability to control expenditures.

In the general fund, our principal operating fund, the fund balance increased to \$312,949. The change is mainly due to an increase in state aid and federal funding and a decrease in expenditures.

General fund balance is available to fund costs related to allowable school operating purposes.

The debt service fund showed a fund balance increase of \$7,624. Debt service fund balance is reserved since it can only be used to pay debt service obligations.

The food service fund was almost self-sufficient this year needing a transfer from the general fund of \$764.

The athletic fund was entirely subsidized by the general fund in the amount of \$691.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2007-2008 general fund original budget. Budgeted revenues were increased \$18,300 due mainly to anticipated federal revenue increasing.

Budgeted expenditures were decreased \$21,988 to account for the decrease in salaries and purchased professional services resulting from the Academy's revised operating plan. The amount of transfers to other funds established in the amended budget was \$317,847 and represents support provided by the general fund to other functions.

SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

General Fund Budgetary Highlights (continued)

There were several significant variances between the final budget and original budget. The final budget for added needs exceeded the original budget by \$52,334 to account for the addition of Title I tutors and paraprofessionals. The final budget was reduced for instructional staff mainly due to underutilization of some grant funded activities planned for in the original budget. The final budget was also reduced for general administration due to a recalculation of management fees and the fact that no legal fees were needed for the year.

There were several significant variances between the final budget and actual amounts as well. State revenue was under budgeted due mainly to a miscalculation of Section 51c revenue. Federal revenue was under budgeted as well as added needs expenditures being over budgeted due to the discovery after year-end of Title I tutors that had not submitted any timesheets for their tutoring hours.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the Academy had a net investment in capital assets of \$2,721,582 including land, land improvements, buildings, furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$69,871 from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 30,000	\$ 30,000
Land Improvements	20,011	20,011
Buildings	3,232,022	3,232,022
Furniture & Equipment	<u>492,585</u>	<u>479,097</u>
Total Capital Assets	3,774,618	3,761,130
Less Accumulated Depreciation	<u>1,053,036</u>	<u>969,677</u>
Net Capital Assets	<u>\$ 2,721,582</u>	<u>\$ 2,791,453</u>

This year's additions of \$13,488 were for activeboards. No debt was issued for this addition.

In fiscal year 2008-2009 we anticipate capital additions will be less than the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

**SAGINAW PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Debt

At the end of this year, the Academy had \$3,565,000 in Full Term Certificates of Participation outstanding. We present more detailed information about long-term liabilities in the notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Our appointed officials and administration consider many factors when setting the Academy's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 77 percent of total general fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009 school year, we anticipate that the fall student count will be a little more than the estimates used in creating the 2009 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The overall State economy, however, is not very healthy at the moment and is cause for concern.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Administration Office, The Leona Group, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823.

SAGINAW PREPARATORY ACADEMY
ACADEMY WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets	
Cash & cash equivalents	\$ 178,477
Investments	360,190
Prepays	16,594
Accounts receivable	5,030
Due from other governmental units	494,005
Capital assets less accumulated depreciation	2,721,582
Total Assets	<u>3,775,878</u>
Liabilities	
Accounts payable	23,298
Accruals	214,692
Due to management company	29,877
Deferred revenue	38,015
Note payable	90,909
Certificates payable, due within one year	85,000
Noncurrent liabilities	
Certificates payable, due in more than one year	3,480,000
Total Liabilities	<u>3,961,791</u>
Net Assets	
Invested in capital assets net of related debt	(843,418)
Restricted for debt service	364,790
Unrestricted	292,715
Total Net Assets	<u>\$ (185,913)</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW PREPARATORY ACADEMY
ACADEMY WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 864,004	\$ -	\$ 564,413	\$ (299,591)
Support services	865,756	-	66,821	(798,935)
Community services	13,620	-	-	(13,620)
Food services	135,640	705	134,171	(764)
Athletics	691	-	-	(691)
Interest on long-term debt	247,210	-	-	(247,210)
Depreciation (unallocated)	83,359	-	-	(83,359)
Totals	<u>\$ 2,210,280</u>	<u>\$ 705</u>	<u>\$ 765,405</u>	<u>(1,444,170)</u>
General revenues:				
State aid - unrestricted				1,576,552
Interest				12,842
Other				<u>8,356</u>
Total General Revenues				1,597,750
Change in Net Assets				153,580
Net Assets - Beginning of Year				(339,493)
Net Assets - End of Year				<u>\$ (185,913)</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW PREPARATORY ACADEMY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2008

	General Fund	Food Service	Athletics	Debt Service	Totals
<u>Assets</u>					
Cash & cash equivalents	\$ 178,477	\$ -	\$ -	\$ -	\$ 178,477
Investments	-	-	-	360,190	360,190
Prepays	16,594	-	-	-	16,594
Accounts receivable	430	-	-	4,600	5,030
Due from other governmental units	494,005	-	-	-	494,005
Total Assets	<u>\$ 689,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,790</u>	<u>\$ 1,054,296</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 23,298	\$ -	\$ -	\$ -	\$ 23,298
Accrued liabilities	194,458	-	-	-	194,458
Deferred revenue	38,015	-	-	-	38,015
Due to management company	29,877	-	-	-	29,877
Notes payable	90,909	-	-	-	90,909
Total Liabilities	<u>376,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,557</u>
<u>Fund Balance</u>					
Reserved for debt service	-	-	-	364,790	364,790
Reserved for prepaids	16,594	-	-	-	16,594
Unreserved and undesignated	296,355	-	-	-	296,355
Total Fund Balance	<u>312,949</u>	<u>-</u>	<u>-</u>	<u>364,790</u>	<u>677,739</u>
Total Liabilities and Fund Balance	<u>\$ 689,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,790</u>	<u>\$ 1,054,296</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW PREPARATORY ACADEMY
 RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO ACADEMY WIDE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total Fund Balances - Governmental Funds	\$ 677,739
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	3,774,618
Accumulated depreciation is	(1,053,036)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Accrued interest	(20,234)
Certificates of Participation payable	<u>(3,565,000)</u>
Total Net Assets - Governmental Activities (Academy Wide)	<u>\$ (185,913)</u>

The accompanying notes are an integral part of these financial statements.

**SAGINAW PREPARATORY ACADEMY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	General	Food Service	Athletics	Debt Service	Totals
Revenue					
Local	\$ 6,298	\$ 705	\$ -	\$ 12,352	\$ 19,355
State	1,805,531	6,622	-	-	1,812,153
Federal	402,251	127,549	-	-	529,800
Total Revenue	<u>2,214,080</u>	<u>134,876</u>	<u>-</u>	<u>12,352</u>	<u>2,361,308</u>
Expenditures					
Instruction	877,492	-	-	-	877,492
Supporting services					
Pupil support	33,166	-	-	-	33,166
Instructional staff	114,205	-	-	-	114,205
General administration	152,007	-	-	-	152,007
School administration	175,929	-	-	-	175,929
Business	91,447	-	-	-	91,447
Operations and maintenance	157,813	-	-	-	157,813
Pupil transportation services	71,733	-	-	-	71,733
Central services	69,456	-	-	-	69,456
Community services	13,620	-	-	-	13,620
Food service	-	135,640	-	-	135,640
Athletics	-	-	691	-	691
Debt service	7,572	-	-	320,038	327,610
Total Expenditures	<u>1,764,440</u>	<u>135,640</u>	<u>691</u>	<u>320,038</u>	<u>2,220,809</u>
Excess (Deficiency) of					
Revenues over Expenditures	449,640	(764)	(691)	(307,686)	140,499
Other Financing Sources (Uses)					
Sources	2,552	764	691	315,310	319,317
Uses	<u>(316,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(316,765)</u>
Total Other Financing Sources (Uses)	(314,213)	764	691	315,310	2,552
Net Change in Fund Balance	135,427	-	-	7,624	143,051
Fund Balance, Beginning	177,522	-	-	357,166	534,688
Fund Balance, Ending	<u>\$ 312,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,790</u>	<u>\$ 677,739</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW PREPARATORY ACADEMY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Governmental Funds	\$ 143,051
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.	
Depreciation expense	(83,359)
Capital outlay	13,488
Repayment of principal is an expenditure in the governmental funds, but not in the statement of activities	
Certificates of Participation payable	80,000
Interest accrued is an expense in the statement of activities, but not in the governmental funds	
Interest recognized in prior year	(20,234)
	20,634
Change in Net Assets of Governmental Activities (Academy Wide)	<u>\$ 153,580</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

A. Reporting Entity

Saginaw Preparatory Academy was formed as a Public school academy pursuant to the Michigan School Code of 1976, as amended by Act 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982.

In 1997, the Academy entered into a five-year contract with Saginaw Valley State University to charter a public school academy. The contract was extended until June 30, 2008 and subsequently extended for another five years. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Saginaw Valley State University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Trustees three percent of state aid as administrative fees. The total administrative fee paid for the year ended June 30, 2008 to the Saginaw Valley State University Board of Trustees was \$47,297.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of the criteria, the Academy does not contain component units.

The Academy's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies relating to GAAP and used by the Academy are discussed below.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

B. Academy-Wide Statements

The Statement of Net Assets and the Statement of Activities are Academy-Wide statements and display information about the Academy as a whole. The Academy-Wide approach is focused more on the sustainability of the Academy as an entity and the change in the Academy's net assets from the current year's activities. These statements distinguish between activities that are governmental and those that are considered business-type activities. Currently, all activities of the Academy are considered to be governmental.

The Academy-Wide statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. This basis is different from the manner in which the governmental fund financial statements are prepared. Therefore, reconciliation is included to identify the relationship between the Academy-Wide statements and the statements for the governmental funds.

The Statement of Activities presents a comparison between program expenses and program revenues. Revenues that are not classified as direct program revenues are presented as general revenues. The comparison of program expenses and revenues identifies the extent to which each program is self-financing or draws resources from the general revenues of the Academy.

C. Fund Financial Statements

The accounts of the Academy are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the Academy:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the Academy.

General Fund is the general operating fund of the Academy. It is used to account for all financial resources except those that are required to be accounted for in another fund.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specified purpose. The special revenue funds maintained by the Academy are the food service fund and the athletic fund. The food service fund is intended to be self-supporting; however, any deficits are financed from operating transfers from the general fund. This year the athletic fund was supported entirely by the general fund.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt. The general fund transfers in revenue to cover the principal and interest on the long-term debt.

Usually the emphasis in fund financial statements is on the major funds. The Academy has opted to display information for all funds without regard to the criteria for determination of major funds as determined by GASB 34.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recognition of revenues when earned and expenses when incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method is used for the Academy-Wide statements.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available, available means collectible with the current period or within 60 days after year-end. Expenditures are still recognized when incurred; however, principal and interest on long-term debt is recognized when payment is due. This method is used for the fund level statements.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Basis of Accounting

The most significant difference between the full accrual basis of accounting and the modified accrual basis of accounting is the way in which capital assets and long-term debt are recognized. The full accrual basis of accounting recognizes purchases of capital assets as an asset and long-term debt proceeds as a liability (similar to a for-profit business). The modified accrual basis of accounting recognizes the purchase of capital assets as expenditures and long-term debt proceeds as other revenue sources.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Investments

Investments held at June 30, 2008 were invested in Treasury obligations.

Receivables & Due Froms

Receivables and due froms consist of all revenues earned at year-end but not yet received.

Prepaids

Prepaid amounts consist of payments for which the Academy will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. The Academy does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings	39 years
Furniture and equipment	3-7 years

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Capital Assets and Depreciation (continued)

The Academy's basic capitalization policy is to capitalize all capital assets with a cost of over \$1,000, other than software, which is capitalized when the cost is \$10,000 or more.

Accounts Payable

Accounts payable consist of items from which the Academy benefited during the current fiscal year but has not yet paid.

Accrued Expenses

Accrued expenses consist of items related to payroll liabilities, specifically the withholding of employees' portion for insurance payments.

Due to Management Company

Due to the management company consist of amounts due on contracted employee's management fees, and other services provided that are due and payable for the current fiscal year.

Deferred Revenue

Deferred revenue represents amounts for which the Academy has received but has not yet earned. Deferred revenue is usually caused by the receipt of grant program revenues in excess of expenses/expenditures related to the grant. The revenues are deferred until the proceeds have been fully expensed/expended. At June 30, 2008, the Academy had \$38,015 in deferred revenue.

Notes Payable

Notes payable consist of a state aid anticipation note issued for the continuance of operations.

Long-Term Liabilities

Certificates of Participation payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Inter-fund Activity

Inter-fund activity is reported as transfers. Transfers are eliminated upon conversion to full accrual.

NOTE 2--Stewardship, Compliance, and Accountability

The Academy is required to adopt an annual budget before the beginning of the fiscal year for the general fund and special revenue funds. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The Academy's Administrator normally submits to the Board of Directors a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. The Administrator is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any function must be approved by the Board of Directors.
3. The budget is adopted on a basis consistent with U.S. generally accepted accounting principles.
4. Budgeted amounts shown in the supplemental information reflect amendments approved by the Board of Directors through June 30, 2008.

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The Academy did not have significant expenditure budget variances. Budget variances are illustrated in the required supplemental information.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The Academy is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Academy is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

As of year-end, the carrying amount of the Academy deposits was \$178,477 and the bank balance was \$184,643. Of the bank balance, \$2,906 was covered by federal depository insurance.

A total of \$360,190 of the Academy's investment is held in trust and restricted for debt service and capital acquisition under the terms of the Academy's Certificate of Participation agreements (see Note 6).

Currently, the Academy does not have an investment policy. However, the Academy's investments are currently in Treasury obligations and management considers the risk to be low.

NOTE 4--Short-Term Debt

The Academy had \$90,909 outstanding at June 30, 2008, on a state aid anticipation note due in September of 2008, bearing a variable interest rate. The following are the changes in short-term debt:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Governmental Activities				
State Aid anticipation note	\$ 90,909	\$ 500,000	\$ 500,000	\$ 90,909
Totals	<u>\$ 90,909</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 90,909</u>

The proceeds from the State Aid anticipation note were used to sustain operations until the Academy received State Aid.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5--Capital Assets and Accumulated Depreciation

Capital asset activity of the Academy was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets not subject to depreciation				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Subtotal	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets subject to depreciation				
Land Improvements	20,011	-	-	20,011
Buildings	3,232,022	-	-	3,232,022
Furniture & Equipment	479,097	13,488	-	492,585
Subtotal	<u>3,731,130</u>	<u>13,488</u>	<u>-</u>	<u>3,744,618</u>
Total Capital Assets	<u>3,761,130</u>	<u>13,488</u>	<u>-</u>	<u>3,774,618</u>
Accumulated depreciation				
Land Improvements	20,011	-	-	20,011
Buildings	517,005	64,778	-	581,783
Furniture & Equipment	432,661	18,581	-	451,242
Total Accumulated Depreciation	<u>969,677</u>	<u>83,359</u>	<u>-</u>	<u>1,053,036</u>
Total Net Capital Assets	<u>\$ 2,791,453</u>	<u>\$ (69,871)</u>	<u>\$ -</u>	<u>\$ 2,721,582</u>

NOTE 6--Long-Term Debt

The Academy's long-term debt includes \$3,565,000 of Certificates of Participation, bearing interest at rates between 5.40% and 7.00%. The obligations require semi-annual interest payment due on December 1 and June 1, and an annual payment of principal due on June 1, which began June 1, 2002. The certificates are collateralized by a mortgage on the Academy's facility. Twenty percent of the Academy's unrestricted state aid revenue is allowed to be used for debt service on the certificates. At June 30, 2008, the Academy had not exceeded the allowed twenty percent.

Following is a summary of changes in long-term debt of the Academy:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activities					
Certificates of Participation	\$ 3,645,000	\$ -	\$ 80,000	\$ 3,565,000	\$ 85,000
Totals	<u>\$ 3,645,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 3,565,000</u>	<u>\$ 85,000</u>

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt (continued)

Annual debt service requirements to maturity for the above governmental activity is as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 85,000	\$ 242,810	\$ 327,810
2010	90,000	237,625	327,625
2011	95,000	231,775	326,775
2012	100,000	225,600	325,600
2013	105,000	219,100	324,100
2014-2018	650,000	982,075	1,632,075
2019-2023	890,000	737,374	1,627,374
2024-2028	1,245,000	380,450	1,625,450
2029	305,000	21,351	326,351
Totals	<u>\$ 3,565,000</u>	<u>\$ 3,278,160</u>	<u>\$ 6,843,160</u>

Governmental Activities

Full Term Certificates of
Participation of the following:

1999 Issue \$4,035,000

Serial and term

certificate due in annual
installments of \$55,000

to \$305,000 through

June 1, 2029; interest

at 5.4% to 7.0%

\$ 3,565,000

Interest expense for the year on all debt totaled \$247,610.

NOTE 7--Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims.

NOTE 8--Management Fees

The Academy has a management agreement with a for-profit corporation through June 30, 2013. Management fees are based on twelve percent of all state and federal revenues. However, the minimum annual management fee shall not be less than \$144,000 nor shall it exceed \$210,000. Management fees were \$210,000 for the year ended June 30, 2008.

SAGINAW PREPARATORY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Management Fees (continued)

The management company provides all the resources required to operate the Academy including administration, instruction and operations. All Academy personnel are provided by the management company. The related payroll expenses paid to the management company for the year ended June 30, 2008, approximated \$1,100,399.

NOTE 9--Lease Commitments

The Academy has a lease agreement for copiers. The amount expensed under the lease for the fiscal year was \$5,460. Minimum annual future payments are \$4,095 for the year ending June 30, 2009.

NOTE 10--Interfund – Receivables, Payables, and Transfers

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Athletics	\$ 691	General	\$ 691
Debt Service	315,310	General	315,310
Food service	764	General	764
	<u>\$ 316,765</u>		<u>\$ 316,765</u>

The transfer to the athletic fund and food service was to subsidize those programs. The transfer to the debt service fund was to cover principal and interest on long-term debt.

NOTE 11--Designated Fund Balance

The debt service fund balance is designated for the purpose of servicing long-term debt.

REQUIRED SUPPLEMENTAL INFORMATION

Saginaw Preparatory Academy
Budgetary Comparison
For the Year Ended June 30, 2008

	General Fund			Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
						Variance with Final Budget Over (Under)
Revenue						
Local	\$ 7,150	\$ 7,150	\$ 6,298	\$ 1,500	\$ 775	\$ 705
State	1,771,240	1,759,983	1,805,531	5,500	6,621	6,622
Federal	313,481	343,038	402,251	107,000	108,600	127,549
Incoming transfer and other	-	-	2,552	2,506	1,657	1,455
Total Revenues	2,091,871	2,110,171	2,216,632	116,506	117,653	136,331
Expenditures						
Instruction						
Basic programs	478,922	466,914	477,037	-	-	-
Added needs	274,696	327,030	400,455	-	-	-
Support Services						
Pupil	44,920	42,474	33,166	-	-	-
Instructional staff	157,630	118,380	114,205	-	-	-
General administration	186,370	152,079	152,007	-	-	-
School administration	168,582	172,095	175,929	-	-	-
Business	104,524	83,205	91,447	-	-	-
Operation and maintenance	153,038	181,057	157,813	-	-	-
Pupil transportation services	61,107	63,301	71,733	-	-	-
Central services	106,202	84,528	69,456	-	-	-
Community services	15,650	14,249	13,620	-	-	-
Food service	-	-	-	114,006	116,183	135,640
Athletics	-	-	-	2,500	1,470	691
Debt service	-	-	7,572	-	-	-
Outgoing transfers and other	302,506	316,847	316,765	-	-	-
Total Expenditures	2,054,147	2,032,159	2,081,205	116,506	117,653	136,331
Excess (Deficiency) of						
Revenues Over Expenditures	37,724	78,012	135,427	-	-	-
Fund Balance - Beginning of Year	177,522	177,522	177,522			
Fund Balance - End of Year	\$ 215,246	\$ 255,534	\$ 312,949	\$ -	\$ -	\$ -

ADDITIONAL SUPPLEMENTAL INFORMATION

Saginaw Preparatory Academy
Schedule of Outstanding Certificate Indebtedness
June 30, 2008

1999 Issue \$4,035,000

Interest Rate: 5.4% to 7.0%

Year Ending June 30,	Annual Principal 1-Jun	Semiannual Interest Payment		Total Fiscal Year Requirement
		1-Dec	1-Jun	
2009	\$ 85,000	\$ 121,405	\$ 121,405	\$ 327,810
2010	90,000	118,812	118,813	327,625
2011	95,000	115,887	115,888	326,775
2012	100,000	112,800	112,800	325,600
2013	105,000	109,550	109,550	324,100
2014	115,000	106,138	106,137	327,275
2015	120,000	102,400	102,400	324,800
2016	130,000	98,500	98,500	327,000
2017	140,000	94,275	94,275	328,550
2018	145,000	89,725	89,725	324,450
2019	155,000	85,012	85,012	325,024
2020	165,000	79,975	79,975	324,950
2021	175,000	74,200	74,200	323,400
2022	190,000	68,075	68,075	326,150
2023	205,000	61,425	61,425	327,850
2024	215,000	54,250	54,250	323,500
2025	230,000	46,725	46,725	323,450
2026	250,000	38,675	38,675	327,350
2027	265,000	29,925	29,925	324,850
2028	285,000	20,650	20,650	326,300
2029	305,000	10,675	10,676	326,351
Totals	<u>\$ 3,565,000</u>	<u>\$ 1,639,079</u>	<u>\$ 1,639,081</u>	<u>\$ 6,843,160</u>



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 17, 2008

To the Board of Directors
Saginaw Preparatory Academy
Saginaw, Michigan

We have audited the financial statements of the governmental activities of Saginaw Preparatory Academy as of and for the year ended June 30, 2008, which comprise Saginaw Preparatory Academy's basic financial statements, and have issued our report thereon dated October 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saginaw Preparatory Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Saginaw Preparatory Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saginaw Preparatory Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Saginaw Preparatory Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance

with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Saginaw Preparatory Academy's financial statements that is more than inconsequential will not be prevented or detected by Saginaw Preparatory Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Saginaw Preparatory Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Saginaw Preparatory Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and the pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gardner, Provenciano, Schaumann & Thomas, P.C.

Certified Public Accountants

SINGLE AUDIT COMPLIANCE



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR-A133

October 17, 2008

Board of Directors
Saginaw Preparatory Academy
Saginaw, Michigan

Compliance

We have audited the compliance of Saginaw Preparatory Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the Saginaw Preparatory Academy are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Saginaw Preparatory Academy's management. Our responsibility is to express an opinion on Saginaw Preparatory Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Saginaw Preparatory Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Saginaw Preparatory Academy's compliance with those requirements.

In our opinion, Saginaw Preparatory Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Saginaw Preparatory Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Saginaw Preparatory Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saginaw Preparatory Academy's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

To the Board of Directors
Saginaw Preparatory Academy
Page Three

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gardner, Provenzano, Delaunay & Thomas, P.C.

Certified Public Accountants

Saginaw Preparatory Academy
Schedule of Expenditures of Federal Awards -
For the Fiscal Year Ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number Program Title/Project Number/Sub recipient Name	CFDA Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments	Current Year Receipts Cash Basis	Current Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008
U.S. Department of Agriculture Clusters:								
Passed Through MDE								
National School Breakfast								
071970 National School Breakfast (2007-2008)	10.553	\$ 6,206	\$ 1,704	\$ 1,704	-	\$ 6,206	\$ 4,502	\$ -
081970 National School Breakfast (2007-2008)		38,724	-	-	-	33,884	36,767	2,883
Total		44,930	1,704	1,704	-	40,090	41,269	2,883
National School Lunch								
071950 and 071960 Lunch (2007-2008)	10.555	11,752	3,547	3,547	-	11,752	8,205	-
081950 and 081960 Lunch (2007-2008)		66,660	-	-	-	61,820	66,660	4,840
		78,412	3,547	3,547	-	73,572	74,865	4,840
Total Child Nutrition Cluster		123,342	5,251	5,251	-	113,662	116,134	7,723
Passed through TLC Warehouse Inc.								
Food Distribution								
USDA Bonus-Agreement Number 73908	10.550	10,694	-	-	-	10,694	10,694	-
USDA Commodities-Agreement Number 73908	10.550	721	-	-	-	721	721	-
Total USDA non cluster programs		11,415	-	-	-	11,415	11,415	-
Total Department of Agriculture		134,757	5,251	5,251	-	125,077	127,549	7,723
Department of Education:								
Passed Through MDE								
Title I Cluster								
Project Number 071530	84.010	202,932	110,695	24,841	-	52,641	27,800	-
Project Number 081520		3,000	-	-	-	1,500	3,000	1,500
Project Number 081530		278,054	-	-	-	151,986	278,054	116,068
Total Title I Cluster		483,986	110,695	24,841	-	216,127	308,854	117,568

See independent auditor's report on schedule of expenditures of federal awards.

Saginaw Preparatory Academy
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

Federal Grantor		CFDA Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments	Current		Current Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008
Pass Through Grantor Program Title Grant Number	Program Title/Project Number/Sub recipient Name						Current Year Receipts Cash Basis	Current Year		
Department of Education:										
Passed Through MDE										
Title II Part A										
	Project Number 070520	84.367	31,324	30,277	3,996	-	4,678	682	-	-
	Project Number 080520		69,923	-	-	-	44,966	53,946	8,980	
Title II Part D										
	Project Number 074290	84.318	2,319	462	462	-	1,766	1,304	-	-
	Project Number 084290		2,631	-	-	-	1,551	1,500	(51)	
Title V Part A - Project Number 060250										
	Total Non-Cluster Passed Through MDE	84.298	1,091	-	-	-	987	1,091	104	
			107,888	30,739	4,458	-	53,946	58,523	9,033	
Department of Health and Human Service										
Passed Through Intermediate District										
	Medicaid Outreach 07-08	93.778	690	-	-	-	690	690	-	-
Department of Education:										
Passed Through Intermediate District										
	IDEA Preschool Project Number 080460 07/08	84.173	986	-	-	-	986	986	-	-
	IDEA Flowthrough Project Number 080450 07/08	84.027	28,424	-	-	-	28,424	28,424	-	-
	IDEA Flowthrough Project Number 070450 06/07	84.027	4,853	-	-	-	4,853	4,774	(79)	
	Total Non-Cluster Passed Through ISD		34,953	-	-	-	34,953	34,874	(79)	
Total Federal Financial assistance			\$ 761,584	\$ 148,685	\$ 34,550	\$ -	\$ 430,105	\$ 529,800	\$ 134,245	

See independent auditor's report on schedule of expenditures of federal awards.

SAGINAW PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1--Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Saginaw Preparatory Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2--Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

SAGINAW PREPARATORY ACADEMY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) if Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.10	Title I

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ☐ Yes ☒ No

SAGINAW PREPARATORY ACADEMY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

FINDINGS-FINANCIAL STATEMENT

None

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD
PROGRAMS AUDIT

None